

Kulpreet Khanuja
Pro se Celsius creditor

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

_____)
In re:)
Chapter 11)
CELSIUS NETWORK LLC, et al.,) Debtors.)

Case No. 22-10964 (MG))
(Jointly Administered)

_____)
**RESPONSE TO DEBTORS' STATEMENT REGARDING NOVEMBER 1 HEARING ON
DEBTORS' MOTION SEEKING ENTRY OF AN ORDER (I) PERMITTING THE SALE OF
STABLECOIN IN THE ORDINARY COURSE AND (II) GRANTING RELATED RELIEF AND
DECLARATION IN SUPPORT OF EARN PROGRAM ASSETS BEING DEEMED PROPERTY
OF THE CREDITORS AND EARN ACCOUNTS RECEIVING THE SAME STANDING
(SENIORITY OR PREFERENCE) IN BANKRUPTCY PROCEEDINGS AS CUSTODY
ACCOUNTS.**

In response to the Debtor's Statement that "the status of the 'Earn' assets is a gating issue that must be resolved," I, Kulpreet Khanuja, pro se Celsius creditor, hereby submit the following declaration and Exhibits ("Exhibit A" and "Exhibit B"). I respectfully state as follows:

I, Kulpreet Khanuja, am over the age of 18. I declare and state under penalty of perjury as follows:

1. I am an account holder at Celsius Network since Feb 2019. My assets, as of Celsius Network's Bankruptcy date were in an 'Earn' account. I submit this declaration to ensure that my digital assets (Earn program deposits) are deemed my property (property of creditor/customer) and so that my 'Earn' account receives equal standing (seniority/preference) in bankruptcy proceedings with 'Custody' Accounts. This declaration is based on my personal knowledge and my email communications with Celsius.
2. I firmly believe digital assets in Earn accounts are customer assets. Our digital assets were deposited into Celsius network for earning rewards but it does not imply these were Celsius' assets. Celsius did not treat my deposits of assets as a disposal of property or a transfer of title. Instead, I paid taxes on the deposited assets to IRS based on the 1099 forms generated *by Celsius*. This tax treatment clearly demonstrated to the IRS, and to me, that I retained ownership of the assets and that I was in constructive receipt of interest paid as it was deposited into my account by Celsius.
 - a) I have been a Celsius account holder since Feb 2019. At account opening, there were no separate 'Earn' or 'Custody' wallets but our personal Celsius wallets. *(Please refer to Celsius' emails in Exhibit A).*
 - b) The returns (rewards) on my deposited assets (BTC and ETH) were also not exorbitant but rather in the range of 3-6%. Celsius' Terms of Service and web AMAs (Ask Me Anything with CEO) indicated that customer assets can be lent out to carefully vetted over-collateralized institutional borrowers. Based on my understanding, this is similar to Etrade or Fidelity loaning customer shares to institutions (for eg. shortselling) and in the process returning interest on your shares. *(Please refer to Celsius' email in Exhibit A denoting BTC and ETH returns of 4.1% and 4.55% respectively for a sample week).*
 - c) I paid taxes for the rewards earned on the digital assets deposited at Celsius to IRS for tax years 2019-2021. Celsius itself generated 1099 forms for the income earned. These assets must not be now treated as Celsius' (estate) assets for settlement and/or distribution while Custody (or other accounts) is treated as Customer assets and higher preference in bankruptcy proceedings. *(Please refer to the screenshot of Celsius 2021 Tax 1099 form. Additionally all Celsius annual 1099 forms and Tax Returns to IRS from 2019-2021 can also be provided, if needed).*
3. I believe I was misled on Celsius' regulatory compliance. I was also grandfathered into continuing with an Earn account without any option to transfer assets into a Custody account per state regulations. Also the 'Terms of Service' did not convey that Earn Accounts have higher risks than Custody accounts or will have lower preference/seniority in a bankruptcy proceeding.
 - a) On April 12 2022, I received an email from Celsius regarding upcoming changes to Celsius and about Earn accounts.

- b) Celsius' email clearly indicates that the changes are being made in consultation with United States regulators and concern Earn accounts/product.
 - c) Celsius' email also states that my Celsius account is currently not eligible for Custody product based on my state's regulatory requirements. Note that I was a tax payer and had an address of Connecticut on my Celsius account.
 - d) Celsius' email further states that all assets transferred before Apr 15th will continue to earn rewards as earlier. There is no mention of change in asset ownership (from customers to Celsius) or risks associated with the new Earn accounts.
 - e) On April 15 2022, I received an email from Celsius with new Terms of Service.
 - f) The Terms of Service again only mentions that my account will continue to remain in Earn due to limitation in offering Custody based on my state regulations.
 - g) These emails and Terms of Service clearly indicate that as an account holder, my account was transferred to Earn without any other option provided to us. It also fails to disclose any additional risks for Earn accounts over Custody accounts. Finally, the emails imply these changes were being made in compliance with US regulatory bodies.
 - h) *Please refer to Celsius' emails in Exhibit B supporting the above statements.*
4. The emails attached hereto as Exhibits A and B are a true and correct copy of the notices and/or communication with Celsius Network Limited.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury the foregoing is true and correct.
Executed on October 31, 2022.

s/ Kulpreet Khanuja
Kulpreet Khanuja
Pro se Celsius creditor

Exhibit A

- a. Celsius Account open notification email, confirmation email for first deposit into personal wallet at Celsius, and rates email.

welcome to Celsius! > Inbox x



Alex Mashinsky <hello@celsius.network>
to me ▾

Fri, Feb 1, 2019, 4:05 PM ☆

Hi there,

I'm Alex Mashinsky, CEO of the Celsius Network. I just wanted to thank you for joining our community.

We're on a mission to bring the next 100 million people into the crypto community.

If you have a minute, we'd love to know how you plan to use Celsius in the future. Do you want to [borrow dollars against your crypto](#), [earn interest on your crypto](#) or send crypto through [CelPay](#)?

If you have any feedback or questions, please be in touch. I would love to hear from you and [please join us on Telegram](#).

Best,

Alex Mashinsky

CEO & Founder, Celsius Network



Celsius Network <hello@celsius.network> Unsubscribe
to me ▾

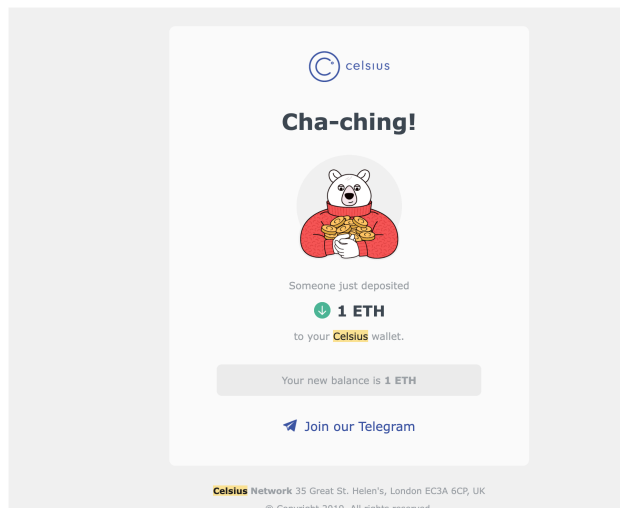
Feb 15, 2019, 2:58 PM

You just received 1 ETH > Inbox x



Celsius Network <app@celsius.network>
to me ▾

Sat, Feb 2, 2019, 7:20 AM



LTC is earning 7.00%

Forget flowers and chocolates. Nothing says love like passive income. No one loves you more than Celsius Network.

Feb 15	
CURRENT RATES	
MAKE A DEPOSIT AND START EARNING INTEREST! <small>(Earn BTC on BTC, ETH on ETH, XRP on XRP, you get the idea.)</small>	
LTC	7.00%
XRP	5.10%
ETH	4.55%
BTC	4.10%
XLM	3.00%
USDC	7.10%
GUSD	7.10%
TUSD	7.10%
DAI	7.10%
PAX	7.10%

b. Taxes 2021 - Form 1099 received from Celsius for assets deposited with Celsius.

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. CELSIUS NETWORK LIMITED THE HARLEY BUILDING 77-79 NEW CAVENDISH STREET LONDON W1W 6XB UNITED KINGDOM		1 Rents 2 Royalties 3 Other income \$18,089.68	OMB No. 1545-0115 2021 Form 1099-MISC	Miscellaneous Information Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
PAYER'S TIN 98-1528554	RECIPIENT'S TIN [REDACTED]	4 Federal income tax withheld 5 Fishing boat proceeds 6 Medical and health care payments 7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/> 8 Substitute payments in lieu of dividends or interest 9 Crop insurance proceeds 10 Gross proceeds paid to an attorney 11 Fish purchased for resale 12 Section 409A deferrals 13 Excess golden parachute payments 14 Nonqualified deferred compensation 15 State tax withheld 16 State/Payer's state no. CT	17 State income	
RECIPIENT'S name, street address (including apt. no.), city or town, state or province, country, and ZIP or foreign postal code KULPREET KHANUJA [REDACTED] STAMFORD, CT 06905				
Account number (see instructions) NMAWLTYNEOWNRAE2JBWX	FATCA filing requirement <input type="checkbox"/>			

Form 1099-MISC

(keep for your records) www.irs.gov/Form1099MISC

Department of the Treasury - Internal Revenue Service

Exhibit B

- a) Celsius emails regarding account changes and how my assets were ineligible for Custody account and instead will remain in Earn per regulatory requirements of my state.



Tuesday, April 12th, 2022

Dear Kulpreet,

Today, we are writing to give our community advance notice of upcoming changes, which will go into effect on April 15, 2022. These changes provide a path forward for our users in the United States to continue holding coins and earning rewards with Celsius.

As we previously have acknowledged, Celsius has been working closely with regulators around the world. It is our intention to be as transparent with our community as possible. More specifically, we have been in ongoing discussions with United States regulators regarding our Earn product.

As a result, there will be changes to the way our Earn product will work for users based in the United States.

Here's how these changes impact you:

- All coins transferred to Celsius by users in the United States prior to April 15, 2022 will continue to earn rewards. Existing coins will continue to earn rewards from April 15th and onward as long as they remain in their Earn accounts.
- Your Celsius account is currently not eligible for the new Custody solution and will have new limitations, due to regulatory requirements in your state.

- New transfers made by non-accredited investors in your state, will not be accepted in Celsius for you to use. You will need to withdraw any new coins from your account.
- Unless you are a verified accredited investor, you will not be able to access Celsius services including Buy, Swap, CelPay and Borrow until we are able to offer Custody in your state. For additional information on how to become an accredited investor, contact us at <https://celsius.network/customer-care> or [read more](#).
- Coins posted as collateral against a loan that was taken prior to April 15, 2022 will be returned to the Earn account and resume earning rewards, once the loan is repaid.

Our team is working to expand your access to our Celsius suite of products and services. We will notify you as soon as it becomes available.

Celsius will never stop advocating for financial freedom and we thank our community for their ongoing support. We will continue to provide updates as we engage with regulators and ensure the delivery of our services to our users globally.

If you have questions or require additional assistance, contact us at 1-866-HODL-NOW (1-866-463-5669). Our Customer Care Center is available Monday - Saturday, from 10AM - 11PM EST or contact us at <https://celsius.network/customer-care>

Sincerely,
The Celsius Team



Friday, April 15th, 2022

Dear Kulpreet,

We are writing to inform you about updates to the Celsius [Terms of Use](#) that will take effect on April 15, 2022.

The updates relate primarily to the products and services offered to our US-based clients, including changes to the Earn product and the introduction of a new Custody service. Based on our records, you reside in a state where our Custody service is currently not available, and you will not have access to such service. [Read about the updates on the Celsius blog](#).

We strongly advise you to review our updated [Terms of Use](#). The updated version will be binding and apply to all Celsius users globally, effective as of April 15, 2022. No further action is required.

If you have questions, please contact us at 1-866-HODL-NOW (1-866-463-5669). Our [Customer Care Center](#) is available Monday - Saturday, from 10AM - 11PM EST.

Sincerely,
The Celsius Team

- b) Celsius Terms of Service change email and how the changes impact my account. Email mentions how my assets were ineligible for Custody account and instead will remain in Earn per regulatory requirements of my state.

